

**Business Opportunity**

**For Marine Services at  
Buzzard Point Marina  
Within National Capital Parks - East**

CC-NACE003-06

*Department of the Interior*

**National Park Service**



## Summary of Business Opportunity

The purpose of this Summary is to provide a synopsis of the key elements of the National Park Service (“Service”) Draft Concession Contract CC-NACE003-06, attached to this Prospectus Section IV, for the general concession operations at Buzzard Point Marina in National Capital Parks – East. In the event of any inconsistency between the terms of the Draft Contract and this Summary, the Draft Contract will prevail.

### Nature of Business and Services Provided

The Business Opportunity section of this Prospectus describes the commercial visitor services and essential improvements required within the Draft Contract. The following visitor services are required:

#### Required Services for the New Concession Contract

Wet Slip Rental	Annual rental of wet slips
Dry storage	Limited land storage of trailered boats
Vending	Limited provision of refreshments through a vending machine
Marine sanitation device	Boat-pump out facility
Public access	Public access to the operation, excluding the docks and wet slips

The following visitor services are authorized, but not required:

#### Authorized Services for the New Concession Contract

Boat launch services  
Pay telephone service

The three-year historical gross receipts generated by the concession operations at Buzzard Point Marina are as follows:

#### Annual Gross Receipts by Year

2002	2003	2004
\$135,154	\$129,144	\$139,952



The existing services provided by the concession operations are as follows:

Summary of Existing Services	
Wet Slip Rental	Annual rental of wet slips
Dry storage	Limited land storage of trailered boats
Vending	Limited provision of refreshments through a vending machine, excluding alcoholic beverages
Marine sanitation device	Boat-pump out facility

**Proposed Minimum Franchise Fee:**

0.0 percent of annual gross receipts.

**Required Repair and Maintenance Reserve:**

4.0 percent of annual gross receipts

**Term of Draft Contract:**

Five years



**Required Investment, as estimated by the Service**

Possessory Interest	N/A
Personal Property	\$80,500
Inventory	\$980
Total	\$81,480

**Required Concession Facilities Improvement Program as developed by the Service**

Project	Total Estimated Cost (2005 dollars)	Disbursements (inflated) <sup>1</sup> 2006
Installation of security system	\$1,100	\$1,100

1. Estimated costs have been inflated to the year in which construction commences at an inflation factor of 2.5 percent and rounded to the nearest hundred dollars.

The anticipated annual gross receipts for this contract are not expected to exceed \$500,000 in the first 12 months of the contract. Thus, the Service has determined, in accordance with 36 C.F.R. Section 51.37, that the new concession contract is a qualified concession contract. As a satisfactory operator, the current concessioner is a preferred offeror and has a statutory right of preference to the award of a qualified (new) concession contract as provided for in PL 105-391 and 36 C.F.R. 51 (see Appendices for both documents). This right of preference allows a preferred offeror, if they submit a responsive proposal, to match the terms and conditions of a competing new proposal if that proposal has been determined to be the best responsive proposal.





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## I. INTRODUCTION

The National Park Service (“Service”) seeks proposals for the operation of the concession at Buzzard Point Marina in National Capital Parks – East (“NCP-East”). This Prospectus describes in general terms the existing businesses operations and the future business opportunities for the facilities and services required by the Service. Offerors are responsible for reviewing all sections of this Prospectus and, specifically, the terms and conditions of the attached Draft Concession Contract CC-NACE003-06 (“Draft Contract”), including its exhibits, to determine the full scope of a future Concessioner’s responsibilities under the Draft Contract. The Service is conducting this solicitation in accordance with the National Park Service Concessions Management Improvement Act of 1998 (PL 105-391) as implemented by the Service in 36 C.F.R. Part 51. This Prospectus is issued under the authority of 36 C.F.R. Part 51. In the event of any inconsistency between the terms of this Prospectus and 36 C.F.R. Part 51, 36 C.F.R. Part 51 will prevail. In the event of any inconsistency between the terms of the Draft Contract and this prospectus, the attached Draft Contract will control. A copy of 36 C.F.R. Part 51 is included as Appendix D to this Prospectus. A copy of PL 105-391 is included as Appendix L to this Prospectus.

The term “Concessioner” as used in this Prospectus refers to the entity that will be the concessioner under the Draft Contract. The term “Existing Concessioner” refers to Buzzard Point Marina, Inc., the concessioner under the existing concession contract (“Existing Contract”). The Existing Contract, as amended, is included in Appendix A to this Prospectus.

### **The National Park Service and Its Mission**

The Service was created by Congress to:

...conserve the scenery and the natural and historic objects and the wild life therein and to provide for the enjoyment of the same in such a manner and by such means as will leave them unimpaired for the enjoyment of future generations. (16 U.S.C. 1)

Additionally, the Congress has declared that the National Park System should be:

...preserved and managed for the benefit and inspiration of all the people of the United States. . . . (16 U.S.C. 1a-1)

To learn more about the National Park Service, visit our website at [www.nps.gov](http://www.nps.gov). This site includes information about who we are, our mission, policies, and information on individual park units.

### **Mission of National Capital Parks - East**

NCP-East offers a wide array of historic, natural, and recreational areas that are a part of Washington, D.C. and its eastern environs. The park includes 12 major park areas at 98 locations. These significant and diverse resources include statuary, historic sites and buildings, recreation areas, parkways, archeological sites, tidal and non-tidal wetlands, meadows and forests that encompass approximately 10,000 acres. NCP-East extends north to Anne Arundel County, Maryland, at the northern end of the Baltimore-Washington Parkway, through Prince George’s County, Maryland, and southeast to the southern part of Piscataway Park in Charles County, Maryland.



The parks within NCP-East include: Anacostia Park, Kenilworth Aquatic Gardens, Frederick Douglass National Historic Site, Mary McLeod Bethune Council House National Historic Site, Capital Hill Parks, Fort Circle Parks (which includes Fort Dupont and others), Fort Washington Park, Greenbelt Park, Oxon Cove Park and Oxon Hill Farm, Piscataway Park, the Sewall-Beimont House National Historic Site, Baltimore-Washington Parkway, Suitland Parkway, and other sites.

NCP-East was established to provide the guidance and support essential to effective management of the natural, cultural, and recreational resources within its boundaries in a manner in keeping with the spirit and mission of the Service and with the enabling legislation and other legal and practical requirements of each park area.

Additional information on NCP- East can be found at <http://www.nps.gov/nace/>

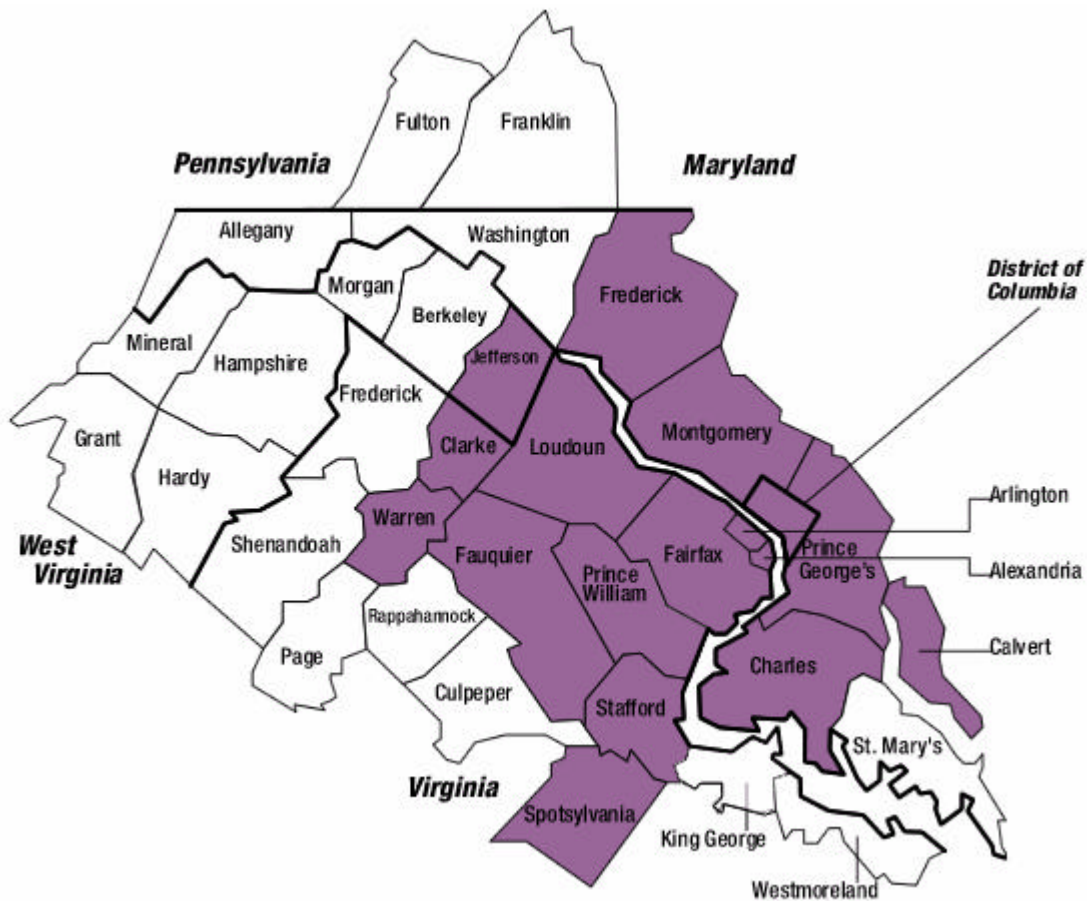


## II. MARKET AREA OVERVIEW

### Local Market Demand

Primary demand for Buzzard Point Marina is drawn from Washington, D.C., and the surrounding metropolitan areas of Maryland and Virginia. The Washington, D.C.-Maryland-Virginia-West Virginia Metropolitan Statistical Area (“MSA”) includes the District of Columbia, 16 counties and six independent cities in the surrounding states of Maryland, Virginia and West Virginia. These areas are highlighted purple in the map of the MSA presented in Exhibit 1.

**Exhibit 1 - DC-VA-MD-WV MSA**



Source: Claritas, 2004 Demographics U.S.A., County Edition – as used by the Washington Post

Boating participation rates have been found to be related to population characteristics – especially age and income. The “Baby-Boomer” generation, now aged between 40 and 58, is typically viewed as the primary boating demographic segment. The age distribution of the population for the USA, Maryland, Virginia and Washington, D.C., is presented in Exhibit 2.

### Exhibit 2 - Age Distribution of Population

	USA	MD	VA	DC
% of Population				
Less than 20 years	28.6	28.2	27.3	23.7
20 - 44 years	36.9	37.3	38.4	42.2
44 - 59 years	18.2	19.4	19.2	18.1
Older than 60	16.2	15.2	15.1	16.1
Median age (years)	35.3	36.0	35.7	34.6

Source: U.S. Census Bureau based on 2000 Census data

Boating as a recreational activity is generally reported to be correlated with the economic cycle and the levels of income. The income distribution of households in the USA, Maryland, Virginia and Washington, D.C., is presented in Exhibit 3. According to the National Marine Manufacturers Association (“NMMA”), the median income of a typical new boat buyer is estimated to be \$71,000. Higher levels of household income are associated with higher levels of participation in recreational boating.

### Exhibit 3 - Income Distribution of Households

	USA	MD	VA	DC
% of Households				
Less than \$20,000	22.1	15.6	18.7	26.1
\$20,000 to \$29,000	13.0	10.2	12.1	12.2
\$30,000 to \$39,000	12.3	10.8	11.8	11.6
\$40,000 to \$49,000	10.7	10.1	10.6	8.8
\$50,000 to \$59,999	9.0	9.5	9.2	7.5
\$60,000 to \$74,999	10.4	12.1	11.1	8.4
\$75,000 to \$99,999	10.2	13.6	11.4	9.0
\$100,000 to \$149,999	7.7	11.6	9.5	8.4
More than \$150,000	4.60	6.50	5.70	8.00

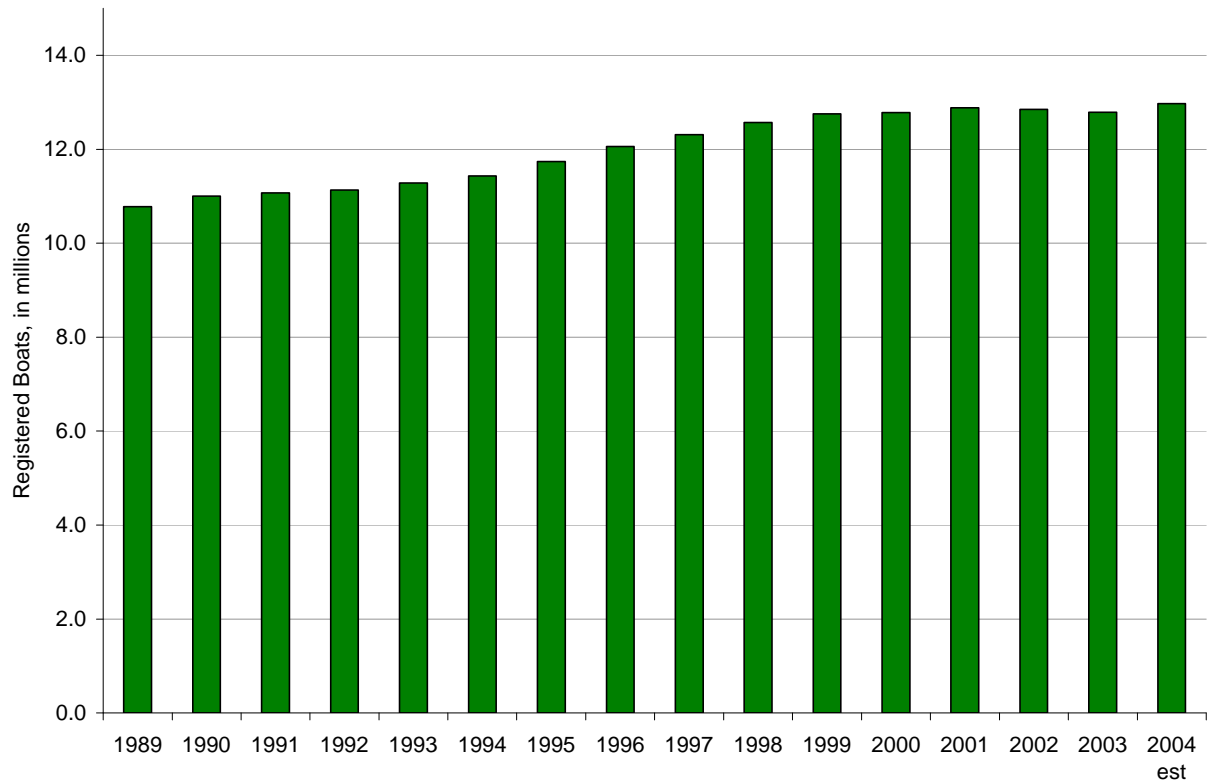
Source: U.S. Census Bureau based on 2000 Census data



### Boating: Demand and Trends

The 1999 to 2000 National Survey on Recreation and the Environment (“NSRE”) found that while motor boating is one of the most popular outdoor, recreational pursuits in America, it is among the slowest growing of the water-based recreational activities. This is further shown in boat registration data (Exhibit 4), which is collected by the US Coast Guard and published by the NMMA. The compound annual growth rate of registered boats in the United States was 1.24 percent from 1989 to 2004. This has slowed to less than 0.5 percent in the last five years.

**Exhibit 4 - Registered Boats in the USA, 1989 – 2004**



*Source: NMMA 2003 Recreational Boating Statistical Abstract, using US Coast Guard data*



The NMMA, Association of Marina Industries (“AMI”), industry magazines and publications, and other marina operators report that demand is shifting towards longer and wider boats. As shown in Exhibit 5, 26- to 39-foot boats have increased as a percentage of total registered boats. The reported shift towards longer, wider boats is related to other demand characteristics and is having an impact on marina operations, as follows:

- Cruising and “destination” boating (boat trips to other areas lasting several days) is increasing in popularity while fishing as the chief purpose of boating is declining. As a result, boaters are moving to larger, more comfortable boats, and are seeking more services at marinas: restrooms, restaurants, picnic areas, a pump-out station, fuel service, security, hook-up utilities, etc. In the words of AMI, “most boating is done at the dock.”
- As the Baby-Boomers age, accessibility, ease of use and comfort are becoming increasingly important considerations when selecting a marina. As marinas change their wet slip configurations to accommodate longer and wider boats, smaller boats (less than 30 feet), are being relocated out of wet-slips to dry storage or to marinas and moorings further away from metropolitan areas.
- The larger boat market (30-foot plus) is more stable than the smaller boat market, as these boat owners can typically afford a) to keep their boats in the water year round, and b) to keep operating their boats even if the economy tightens.

**Exhibit 5 - Powerboat Registrations by Length, USA, 1996 – 2002**

	1996	1997	1998	1999	2000	2001	2002	CAGR
Under 16 feet	5,073,753	5,767,114	5,665,230	5,636,128	5,477,271	5,708,068	5,440,271	1.2%
16 - 25 feet	5,006,527	5,380,784	5,514,957	5,678,516	5,679,180	5,868,223	5,910,367	2.8%
26 - 39 feet	317,082	388,471	401,086	418,018	428,083	446,186	500,388	7.9%
Over 39 feet	47,039	54,794	56,139	58,407	34,235	67,516	67,662	6.2%
<b>Total</b>	<b>10,444,401</b>	<b>11,591,163</b>	<b>11,637,412</b>	<b>11,791,069</b>	<b>11,618,769</b>	<b>12,089,993</b>	<b>11,918,688</b>	<b>2.2%</b>

*Source: NMMA 2003 Recreational Boating Statistical Abstract, using US Coast Guard data*

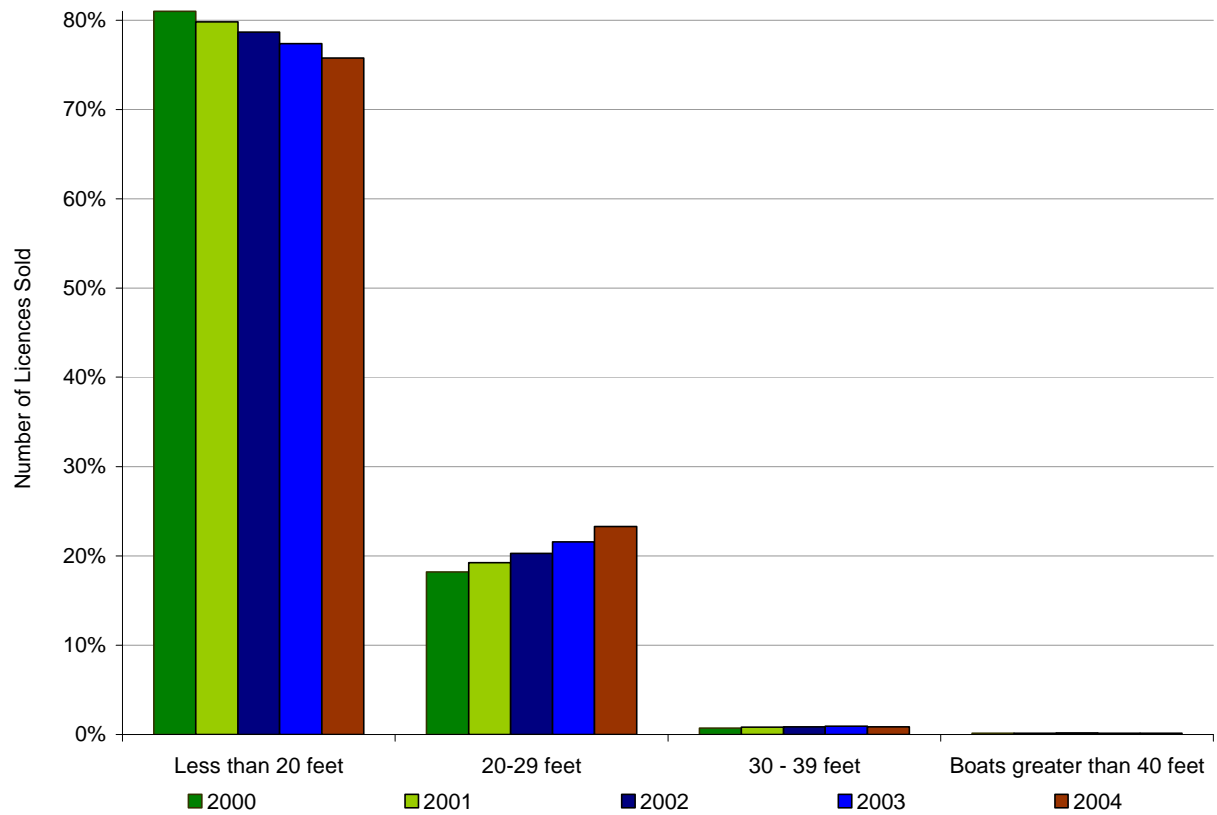
These national trends are mirrored in state registration data (see Exhibit 6). Within the City of Alexandria, City of Fairfax, Arlington County and Fairfax County in Virginia (see Exhibit 7), smaller boats have been declining as a percentage of total registered boats, while boats in the 20- to 29-foot range have been increasing. The situation in the Maryland counties closest to Washington, D.C., is shown in Exhibit 8. According to the University of Maryland’s Sea Grant Extension Program, there is a slight trend towards more personal watercraft and trailered powerboats in Maryland.

**Exhibit 6 – State Recreational Boat Registrations**

	1996	1997	1998	1999	2000	2001	2002	CAGR
Total US	12,057,269	12,309,724	12,565,981	12,746,301	12,782,143	12,876,346	12,854,054	1.1%
District of Columbia	1,190	6,621	1,811	1,811	2,791	1,984	1,909	8.2%
Maryland	194,266	189,052	192,946	208,766	208,186	197,005	198,012	0.3%
Virginia	229,233	229,629	232,409	235,330	237,228	240,509	243,590	1.0%

*Source: NMMA 2003 Recreational Boating Statistical Abstract, using US Coast Guard data*



**Exhibit 7 Virginia\* Boat Registrations by Length**

\* For the City of Alexandria, City of Fairfax, Arlington County and Fairfax County. Registration numbers exclude personal water craft and commercial boats.

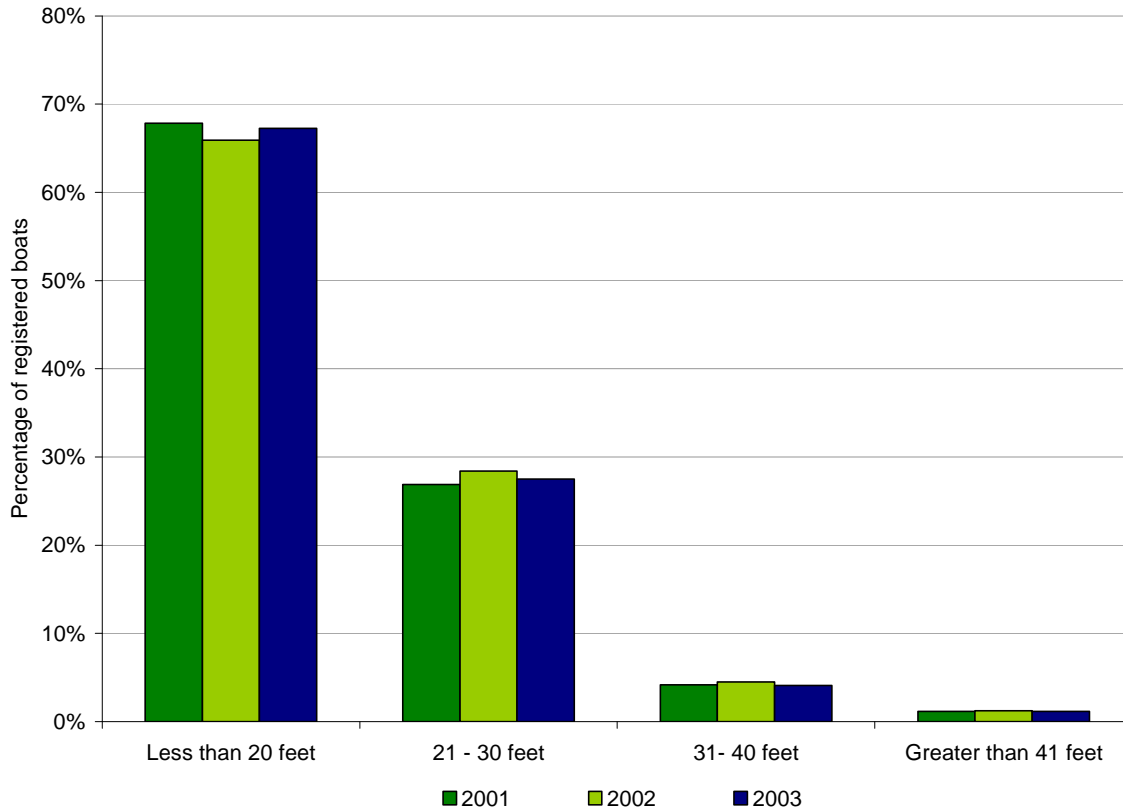
Source: Virginia Department of Game and Inland Fisheries



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**Exhibit 8 - Maryland\* Boat Registrations by Length**

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\* For Montgomery and Prince George's Counties

Source: Maryland Sea Grant Extension Program, University of Maryland

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Overall, the boating industry in the Washington, D.C., Metropolitan Area appears to be healthy. The demographics of the District of Columbia and its neighboring states continue to be favorable to the boating industry.





## Competitive supply

There are a large number of marinas in Washington, D.C., Maryland and Virginia. The most competitive marinas to the concession are presented in Exhibit 9. Wet and dry storage rates are provided and indicate an average wet slip rate of \$7.74 per foot per month. The subject property is at the low end of the range and Gangplank Marina is at the upper end of the range. Additionally the subject property is the smallest marina in this competitive set; the largest marina is Columbia Island.

The supply of competitive public marinas has grown nominally over the last five years and is anticipated to be limited in the near future. Many marinas report that they have waiting lists, indicating potential additional demand. It is reported that smaller boats are increasingly being dislocated from wet slips in favor of larger boats. Washington, D.C., has no “destination marina” and as such its marinas do not attract much transient demand.

### Exhibit 9 - Competitive Landscape

Marina	2004 Wet Slip Rates ft/month	Dry Storage			
		Trailered Boats	Rack	ft/month	Parking
Buzzard Point Marina	\$5.50	22	-	\$ 1.50	25
Washington Sailing Marina	\$6.40	353	120	\$ 3.70	270
Belle Haven Marina	\$6.25	40	24	\$ 5.00	40
Fort Washington Marina	\$6.60	20	-	\$ 6.85	200
Columbia Island Marina	\$9.82	-	-	\$ -	300
Washington Marina	\$9.00	-	-	\$ -	110
Gangplank Marina	\$10.34	-	-	\$ -	150
James Creek Marina	\$8.00	-	-	\$ -	250
<b>Total/Average</b>	<b>\$7.74</b>	<b>435</b>	<b>144</b>	<b>\$ 2.13</b>	

Marina	# Wet Slips by Boat Length (in Feet)					Total
	18 - 29	30 - 39	40 - 49	50+	Moorings	
Buzzard Point Marina	61	13	16	1	-	91
Washington Sailing Marina	161	24	-	-	-	185
Belle Haven Marina	63	2	2	3	25	95
Fort Washington Marina	38	179	60	19	-	296
Columbia Island Marina	239	112	8	22	-	381
Washington Marina	97	19	9	7	-	132
Gangplank Marina	37	74	144	55	-	310
James Creek Marina	76	124	85	-	-	285
<b>Total/Average</b>	<b>550</b>	<b>510</b>	<b>308</b>	<b>106</b>	<b>25</b>	<b>1,499</b>

Marina	Restaurant/ Snack Bar	NPS Concession	Gated Security	50-amp Electricity	Boat Ramp	Boat Lift	Boat Repair
Buzzard Point Marina		X			X		
Washington Sailing Marina	X	X	X	X	X	X	
Belle Haven Marina		X			X		
Fort Washington Marina	X			X	X	X	X
Columbia Island Marina	X	X	X	X	X		
Washington Marina			X				X
Gangplank Marina	X		X	X			
James Creek Marina	X	X	X	X			

Source: Individual Marinas



### III. EXISTING CONCESSION OPERATION

The Existing Concessioner is currently required to offer the following services, according to the current contract:

- Wet Slip Rental
- Limited land storage of trailered boats
- Refreshments through vending machines, excluding alcoholic beverages
- Marine sanitation device

The following services are currently authorized but not required, according to the current contract:

- Sailing instruction and sailboat rental

The use of the marina as a place of residence by any customer is expressly prohibited by the contract. The concessioner is required to include this stipulation in slip rental agreements.

The marina operates year round. The summer operating season is defined by the contract as being from April to November, and the office is closed one day a week during this period. During the winter months, the office is closed two days a week.

The marina has 91 slips, configured as shown in Exhibit 10 below:

**Exhibit 10 - Slip configuration**

Maximum Boat Length (feet)	Number of Slips	Electric Hook-Up
20	7	N
23	14	N
24	16	N
26	24	N
35	13	Y
40	16	Y
60	1	Y
<b>Total</b>	<b>91</b>	

*Source: National Park Service*

There are 20-amp electrical hook-ups at slips sized 35 feet or greater. There are no 50-amp hook-ups. Water spigots are located every third slip. Electricity is metered separately. Slips smaller than 35 feet have neither water nor electrical hookups, but these slips can access electricity and water via extension cords and hose pipes.

The marina provides no boat repair or maintenance facilities – repairs or maintenance must be done offsite by boat owners. The largest boat that can launch at the marina using the winch is 24 feet.

The docks are not gated. The marina is one of the few in the area to offer dry storage, as it has available land and has been able to access additional non-Service land adjacent to the property.



Currently, a maximum of about 25 to 30 trailered boats, depending on size, can be stored at any one time on the property, including the two adjacent lots at the rear of the property. These two adjacent lots are both available for sale. If these lots are no longer accessible to the concessioner, the trailered boats can be moved to another part of the lands assigned to the concessioner.

A rate increase was approved in 2002, which the current concessioner chose to phase in over two years. The previous rate increase occurred in 1988. The current concessioner did not apply to the Service for an increase in rates from 1988 to 2002, and has not applied for a rate increase since 2002. Current and historical rates are provided in Exhibit 11.

### Exhibit 11 - Approved Rates

	1988	2002/2004
<b>Wet Slips</b>		
Annual (per foot, per month)	\$ 3.60	\$ 5.50
Semi-Annual (per foot, per month)	\$ 3.90	\$ 6.25
Monthly (per foot, per month)	\$ 4.50	\$ 7.25
Transient (per foot, per day)	\$ 0.50	\$ 1.00
<b>Launch Ramp</b>		
Slip Holders	\$ 1.00	\$ 1.00
Non-slip Holders	\$ 2.00	\$ 3.00
<b>Storage</b>		
Trailer - Dual Axle	\$ 25.00	\$ 35.00
Trailer - Single Axle		\$ 30.00
Dinghy	\$ 10.00	\$ 25.00

Source: National Park Service

The District of Columbia has a Right of Way within the Buzzard Point Marina land assignment, generally following the driveway into the facility. This Right of Way was intended to become a street, however it was never constructed, nor is completion planned. Concessioner construction within this area is not permitted. The National Park Service has jurisdiction over the property adjoining both sides of the Right of Way, and is working to acquire jurisdiction over the Right of Way property. The concession land assignment will be modified to indicate this change once the National Park Service receives such jurisdiction.



## IV. FUTURE SCOPE OF SERVICES

There are no changes to the required services for the new contract. Authorized, but not required services change as follows:

- Sailing instruction and sailboat rental will no longer be an authorized service;
- A pay telephone service is authorized;
- Boat launch services are authorized.



## V. CONCESSION FACILITY IMPROVEMENT PLAN

The Concessioner shall undertake and complete an improvement program as described in this section. The Concession Facilities Improvement Program (“CFIP”) is estimated to cost the Concessioner no less than \$1,100 in 2005 dollars and is to be completed in the first year of the contract. Depending on the final improvement program implemented, the amount of leasehold surrender interest (“LSI”), if any, will be valued in accordance with the final Contract.

Exhibit 12 identifies the required project, including expected construction commencement and completion dates and costs. *However, these cost estimates do not include oversight labor.* The size, scope and location of each project may change based on further planning and unforeseen circumstances.

This CFIP is designed to install an intrusion detection system which is linked to, and monitored by, an external security services firm. The operating costs associated with an alarm system have been included in future expense estimates.

The Service has further identified the need to install security fencing. The Service has indicated that it will undertake this at its own cost, and that this will not be a required investment by the next concessioner.

The Service does not desire to have a concessioner live on the property in a houseboat in order to provide security for the operation.

**Exhibit 12 - Estimated Improvement Costs and Timeline for Completion**

Project	Total Estimated Cost (2005 dollars)	Disbursements (inflated) <sup>1</sup> 2006
Installation of security system	\$1,100	\$1,100

*Estimated costs have been inflated to the year in which construction commences at an inflation factor of 2.5 percent and rounded to the nearest hundred dollars.*

*Source: National Park Service*

It is important to note the following in relation to the CFIP.

- The Concessioner is obligated to the total CFIP investment of no less than \$1,100 in accordance with the Draft Contract. This value is reflected in 2005 dollars. The size, scope, and location of each project may be adjusted to address planning and other circumstances.
- Prices within the cost estimates are inflated to the anticipated start date of the project using a 2.5 percent inflation rate. Many of the details included in the cost estimates and project scopes are preliminary and may change based on further planning. However, the total investment of the required CFIP will be required of the Concessioner.



## VI. UTILIZATION AND OPERATING DATA

The Proposal Package requires Offerors to develop financial projections based on the required services and concession improvements required. In order to assist the Offerors in the development of these projections, information regarding historical utilization and operating data as well as some baseline projections for the services to be provided under the Draft Contract are presented on the following pages. Please note that operating projections are only estimates based on Service assumptions that were developed taking into account publicly available historical data, industry standards, and other comparable facilities information. Reported 2003 financial data was used as the basis for the following projections. The Service assumed, for the purposes of this document and any projections, an annual inflation rate of 2.5 percent.

Some or all of the projections may not materialize and unanticipated events may occur that will affect these projections. The Offeror should be appropriately cautious in the use of all operating estimates. Although the Service does provide some financial projections, Offerors are responsible for producing their own prospective financial analyses and may not rely on the Service projections. The Service does not warrant, and assumes no liability for, the accuracy of the financial projections or estimates contained in this Prospectus.

The assumed start date of the contract is October 1, 2006. All numbers stated below are in 2004 dollars unless otherwise stated.

### Marina

#### Revenue

Historically, wet slip rentals have been the primary revenue driver in the Existing Contract. Exhibit 13 depicts historical revenues.

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#### Exhibit 13 - Buzzard Point Marina Historical Financial Information, 2002 to 2004

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2002	2003	2004
\$ 135,154	\$ 129,144	\$ 139,952

*Source: National Park Service*

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These revenues include sales generated from the 91 wet slips, vending, dry storage and electricity fees.



It is expected that two new slips will be created with the removal of the houseboat currently moored at the marina. The new slip configuration for the concession is expected to be as follows, as shown on in Exhibit 14:

**Exhibit 14 - Future expected slip configuration, with removal of houseboat**

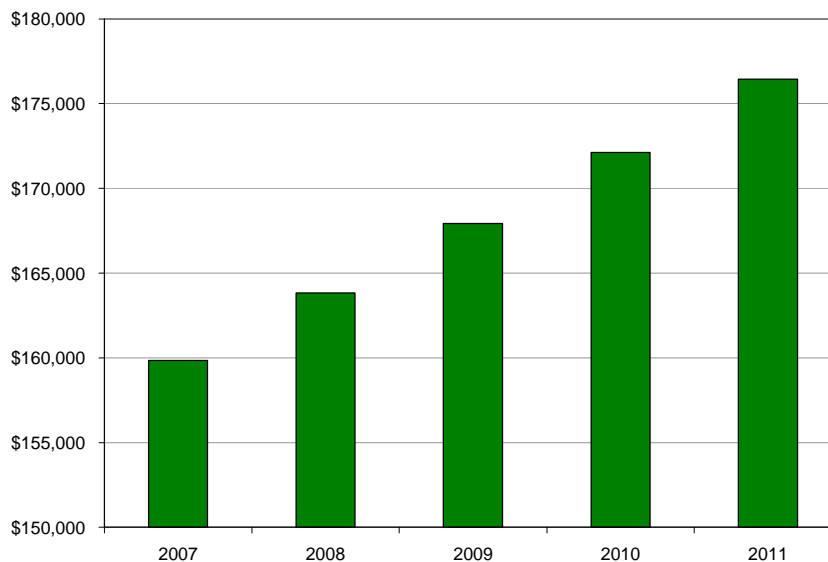
Maximum Boat Length (feet)	Number of Slips	Electric Hook-Up
20	7	N
23	16	N
24	16	N
26	24	N
35	13	Y
40	16	Y
60	1	Y
<b>Total</b>	<b>93</b>	

*Source: National Park Service*

**Wet slip rental rates:** The 2006 average annual slip rental rate per foot is estimated to be \$6.10 and to grow in line with inflation thereafter.

**Wet slip occupancy:** Occupancy is estimated to be between 70 and 75 percent. Small boat occupancy (less than 30 feet) is assumed to be between 65 and 70 percent. Owners of small boats tend to store them on land during the winter. Large boat occupancy (greater than 30 feet) is assumed to be 80 to 85 percent, as owners are more likely to leave these boats in the water during the winter. This is shown in Exhibit 15.

**Exhibit 15 – Projected Wet Slip Revenue, 2007 - 2011**

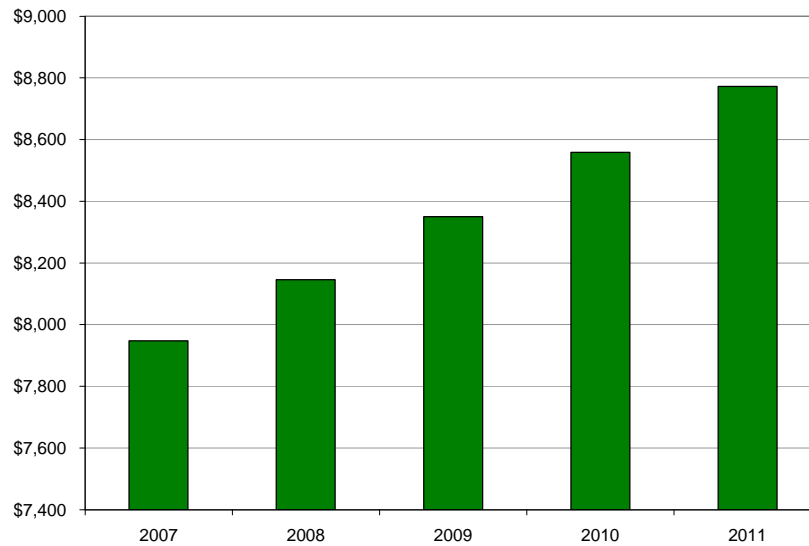


*Source: National Park Service*



**Dry storage:** It estimated that 10 trailered boats will continue to be stored, irrespective of whether the concessioner is able to continue to lease land adjacent to the rear of the operation. Storage rates are estimated to be \$3.00 per linear foot, with an average boat length of 20 feet. This is shown in Exhibit 16.

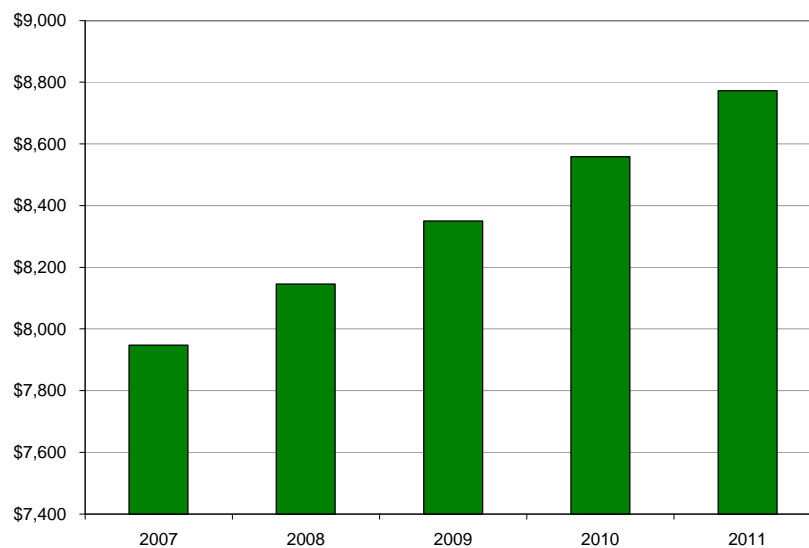
**Exhibit 16– Projected Dry Storage Revenue, 2007 - 2011**



*Source: National Park Service*

It is estimated that slip renters with **electricity hook-ups** will continue to be charged a service fee.

**Exhibit 17– Projected Electricity Revenue, 2007 - 2011**



*Source: National Park Service*





**Vending** is estimated to be about \$2,000 per year.

### ***Expenses***

Based on industry trends and information available, it is projected that direct labor and other departmental costs, on a combined basis, will range from 50 – 60 percent of revenue.

Similarly, based on industry trends and information available, the following undistributed and fixed expenses are estimated:

- Undistributed Operating Expenses      20.0 – 25.0 percent of total revenue
- Insurance      7.0 – 10.0 percent of total revenue



## VII. INVESTMENT ANALYSIS

The Existing Contract requires the Existing Concessioner to sell and transfer to the successor its possessory interest and all other property of the Concessioner used or held for use in connection with such operations. A copy of the Existing Contract, CC-NACE003-06, as amended, can be found as Appendix A of this Prospectus. Service estimates of these acquisition costs are stated below.

Offerors should not rely on Service estimates in preparing and submitting proposals in response to this Prospectus. Other than the agreed upon value of the Existing Concessioner's possessory interest, it is the responsibility of Offerors to make their own estimates of the compensation that must be paid to the Existing Concessioner under the terms of the Existing Contract.

### **General Description of Possessory Interest**

The Existing Concessioner's possessory interest in improvements at NCP-East is described in Section 12 of the Existing Contract, as amended. In summary, a possessory interest is a compensable interest in real property improvements as defined by the Existing Contract.

### **Estimate of Possessory Interest**

The Service estimates Possessory Interest to be zero.

### **Other Property**

Section 12 of the Existing Contract also requires the Concessioner to sell and transfer to the successor "all other property of the Concessioner used or held for use in connection with such operations" ("Other Property").

The estimated value of Other Property to be sold and transferred to the successor is approximately \$80,500. This total includes the personal property held by the concessioner for use in the operation, such as furniture, fixtures, equipment and vehicles. This total is only an estimate, and the final determined value could differ from this estimate.

### **Merchandise Inventory**

The estimated value of merchandise (inventory) and supplies to be sold and transferred to the successor Concessioner as Other Property under the Existing Contract is \$980. This estimate is based on historical inventory levels as reported in the Concessioner's Annual Financial Reports to the Service.

### **Dispute Resolution**

If the Existing Concessioner and the successor concessioner cannot agree upon the value of any item or items of Other Property, resolution of the dispute will occur by the process described in Section 12 of the Existing Contract.

### **Estimate of Required Investment**

Exhibit 18 details the estimated required initial investment of the Concession as projected by the Service. This investment is in addition to the required \$1,100 Concession Facility Improvement Program to be completed during the first year of the contract term.



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**Exhibit 18 - Estimated Required Initial Investment**

Possessory Interest	\$	-
Personal Property	\$	80,500
Inventory	\$	980
Total	\$	81,480

*Source: National Park Service*

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**Leasehold Surrender Interest**

There is no possessory interest to be acquired by the successor Concessioner, and therefore there will be no conversion of the possessory interest acquired to Leasehold Surrender Interest (“LSI”) under the Draft Contract in accordance with 36 C.F.R. Part 51, Subparts G and H (Sections 51.51 – 51.72) and the terms of the Draft Contract. Please refer to the Draft Contract and Appendix D for these terms. However, LSI may be created in the future as a result of the required CFIP under the new concession contract, pursuant to the same regulations. Upon expiration or termination of the Draft Contract, the Service is ultimately obliged to ensure payment of the LSI value to the Concessioner.

**VIII. REPAIR AND MAINTENANCE RESERVE**

The Draft Contract requires the Concessioner to establish a Repair and Maintenance Reserve for the purpose of ensuring that funds are available to cure certain maintenance problems that are not accomplished as part of normal operations. The Offeror is directed to Section 10 (c) of the Draft Contract for guidance on the terms and conditions of the Repair and Maintenance Reserve. The Repair and Maintenance Reserve under the Draft Contract will be funded by **4.0** percent of gross receipts per year for the term of the Draft Contract.

**IX. FRANCHISE FEE**

The minimum franchise fee under the Draft Contract is **0.0** percent of annual gross receipts.

**X. SITE VISIT**

A one-day site visit will occur on Thursday, September 7, 2006. At that time, an overview of the concession operation will be provided by Service concession management personnel, along with a tour of existing concession facilities associated with this Draft Contract. Additional information is available at <http://www.nps.gov/nace/>. Care should be used in the application of such data in any due diligence or planning.



## XI. TERMS AND EFFECTIVE DATE OF THE NEW CONTRACT

The Draft Contract is for a period of five years beginning on its effective date, which is estimated to be October 1, 2006. The effective date of the Draft Contract is subject to change prior to contract award if determined necessary by the Service. Should that happen, the expiration date of the Draft Contract will be changed to continue the same term length from any adjustment to the effective date.

